



State of New Jersey
DEPARTMENT OF HUMAN SERVICES
PO Box 700
TRENTON NJ 08625-0700

RICHARD J. CODEY
Acting Governor

JAMES M. DAVY
Commissioner

November 9, 2005

Honorable Robert E. Andrews
U.S. House of Representatives
2439 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Andrews:

The New Jersey Department of Human Services (NJ DHS) is very concerned about provisions in the Deficit Reduction Act of 2005, which is being considered by the House of Representatives. We support those changes in the bill that would increase flexibility in Medicaid and reduce state and federal costs for pharmacy services. However, there are many other changes in the bill which would sharply reduce services to low-income families or shift federal costs to taxpayers in New Jersey and other states. These changes represent the most comprehensive and extensive human service cuts in recent history. The combined effects of these cuts would have a devastating impact on the families served by NJ DHS. The following are our specific concerns:

Medicaid

NJ DHS strongly opposes the proposed language in section 3146 (4) that would impact federal funding for targeted case management services (TCM). TCM is a critical service for many of New Jersey's most vulnerable clients. As written, the legislation could eliminate access to these needed services and eliminate State flexibility to expand services to the Medicaid population. I recommend that you not support the TCM provision as written. Similar to the issues related to third party liability mentioned below, the language could be applied to eliminate almost all federal funding for case management services under Medicaid. This limitation could go beyond case management and implement a 'free care' exclusion in statute that CMS could apply to many services. I recommend that Section 3146 (4) be deleted from the bill.

There are important questions related to the proposal to enhance third party liability identification and payment. The proposed statute could substantially impact Medicaid reimbursement for vital services provided to our neediest citizens. It appears the proposed language could eliminate Medicaid reimbursement for any services the State of New Jersey, local governments or other entities provide free of charge in accordance with statute, contract or agreement. For example, community care services for developmentally disabled individuals provided by New Jersey in accordance with State statute could preclude any Medicaid reimbursement since the State has legal responsibility

for payment for these services. Section 3144 of the bill must specify that public funding for health services does not constitute legal responsibility for payment of the cost of the service under the Medicaid program.

Another provision (Section 3101), which proposes a minimum dispensing fee payment of \$8 per prescription for multiple source drugs, appears excessive. The need to compensate pharmacies for dispensing drugs is understood, but the amount of the dispensing fee should be State determined. This approach will provide consideration of any unique or specific circumstances.

TANF and Child Care

The House reconciliation package also includes a 5-year reauthorization of the Temporary Assistance for Needy Families (TANF) block grant and related programs. New Jersey maintains that welfare reform reauthorization should be driven by good public policy and therefore supports efforts to reauthorize the TANF program outside of reconciliation.

However, the Committee's decision to reduce the amount of child care funding that had been included in HR 240 from \$1 billion to \$500 million would increase New Jersey's unfunded child care costs to \$159 million between 2006 and 2010 (Section 8201). The increase in costs is associated with the proposal in H.R. 240 that would increase client work activity to 40 hours per week, mandate client universal engagement, and require an increase in the state's work participation rate to 70 percent by 2010 from the current rate of 50 percent. These added child care needs are in addition to New Jersey's current child care waiting list of 5,027 children as of October 18, 2005.

NJDHS is also concerned that there is no provision in the House version of TANF reauthorization that would include a penalty relief for those states that are unable to meet participation rate requirements, but show an improvement in the subsequent year. The Senate TANF reauthorization bill has a penalty relief proposal (S. 667, Section 111 (b) (1) (B)). The work participation rate proposal will make it extremely unlikely for New Jersey, as well as most other states, to meet the 70 percent rate requirement by 2010. It would seem reasonable that states that increase their performance rate each year should be rewarded rather than penalized.

Child Support

NJDHS opposes the reduction in the federal child support administrative match funding from its current rate of 66 percent to 50 percent by 2010. Using the SFY 2006 federal IV-D child support budget of \$180 million, we estimate that this provision (Section 8319) would increase the state matching requirements by \$70 million for the period 2007 through 2010.

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We also oppose the elimination of Section 8320, the use of child support incentive dollars to drawdown federal IV-D match funding. This would cost New Jersey \$20 million in annual federal funding used by counties to offset their child support administrative operations, result in a loss of up to \$30 million in federal funds for the federally approved re-design of the Automated Child Support Enforcement System, and eliminate up to \$3 million annually to support the operations of the our new child support training academy. These cuts will jeopardize child support enforcement, which research has shown is one of the most cost effective human service programs in the country.

Food Stamps

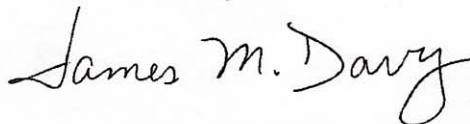
We oppose the proposal (Section 1603), which would make immigrants ineligible for food stamps until they have been in the United States for seven years, rather than five years as under current law. This would cost New Jersey additional funds, because if we wanted to provide assistance to this group of immigrants, it would require state funds. Currently there are more than 15,000 aliens that are receiving federal food stamps in New Jersey.

Child Welfare

Another provision (Section 8408) in the bill limits federal matching funds for administrative costs for children in unlicensed foster homes to a period of no longer than 12 months. Limiting administrative federal reimbursement could cost New Jersey nearly \$1 million in federal funds annually from this change.

I urge you to review these concerns and work to remove the provisions that would be the most damaging to New Jersey's Human Services and Medicaid programs. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "James M. Davy".

James M. Davy
Commissioner
New Jersey Department of Human Services